Testimony of Minnesota Canola Council Chairman Randy McMillin, Grygla, MN

Congressman Peterson, distinguished guests. As the Chairman of the Minnesota Canola Council, I'd like to thank you for being here today and appreciate your interest in trying to work with us to find ways we can improve crop insurance. I don't plan on taking much of your time, but I would like to share a few thoughts with you about this issue.

Canola, in the grand scheme of things, is still a relatively young crop. Its popularity grew in the mid-nineties as an alternative to traditional small grain crops which, at the time, were dealing with serious disease issues. To help producers manage risk, a canola pilot insurance program was established in 1995 and became permanent in 1997 and served to significantly boost canola acreage in Minnesota. Since that time, the program has been expanded to 29 counties and has shortened its rotation requirements to two years. Furthermore, beginning with the 2004 crop year, canola growers in Minnesota will be able to purchase the popular Revenue Assurance plan of crop insurance. As you know, this form of crop insurance helps protect growers against declines in price, yield or a combination of both factors. All of these factors have contributed to the popularity of canola in Minnesota.

Farming has always been a risky enterprise. It is unique, however, in that although every business faces risk, few face the degree of risk farmers do considering we are at the mercy of both market fluctuations and weather related events such as droughts, floods, and other natural disasters.

This has been well demonstrated over the past few years in northwestern Minnesota. Excess rain and flooding have served to a reduce canola acreage in Minnesota from a high of 197,000 acres in 1998, to a low of just 44,100 last year.

And although crop insurance has, for many, served as a life preserver during this time, allowing producers to keep their heads above water during troubled times, improvements to the program can and should be made.

A simple example of this, as it relates to canola, is the difference in premiums between Marshall and Roseau Counties in Minnesota. As a rule, crop insurance premiums increase as you move north. For example, in Marshall County, coverage for a 1,500lb/acre yield at the 65% level costs $4.40/acre. In Roseau County, north of Marshall County, that same level of coverage is 5% more expensive, when in fact, from a risk standpoint, coverage should actually be less expensive because, unlike traditional small grains, canola is a cool season crop which thrives in cooler temperatures. Additionally, Roseau tends to be the largest and highest yielding canola producing county in Minnesota.

Granted, a 5% increase in premiums from Marshall to Roseau Counties isn't going to be the difference in whether or not a producer can afford crop insurance coverage, but I think it clearly demonstrates how the program can be improved. Data show canola production in Roseau County is no greater risk, frankly less, in fact, than Marshall County. Yet, producers in our largest producing county are being squeezed for an extra 5% on their premiums. In the world of ever-shrinking margins we live in, any unnecessary, added expense is a burden and should be addressed.

Another issue that potentially stands as an impediment to increasing canola acreage is the fact that in counties not currently covered by the program, producers are required to provide their agent with a 3-year canola cropping history before they can enter into a written agreement for insurance coverage. This is a classic Catch-22 situation. Few, if any, producers will risk growing canola without the protection of crop insurance, but if growers don't establish a canola cropping history they are unable to receive coverage. We believe this problem could be addressed relatively easily in a number of ways, such as reduced coverage or higher premiums until sufficient history is established, or a review of the producer's production practices or past claims. This is another example of small fixes we believe could improve the current program.

Now on the other hand, we also want to make sure we give credit where credit is due as well. In 2002, the Minnesota Canola Council applied for and subsequently received a grant from RMA's *Targeted Commodity Partnerships for Risk Management Education Program*. These grants were awarded to universities, private agribusiness organizations and grower groups to help defray the costs of Risk Management education efforts. It enabled the Council to give growers face-to-face exposure to risk management professionals who were able to better educate them about the coverage options which may be most useful to them. These types of programs are useful to producers in general, but particularly in our area where our exposure to Risk Management professionals tends to be limited.

Furthermore, we'd like to add that the Canola Council has had a good working relationship with the St. Paul office of RMA. They have been responsive to our needs and have always been willing to discuss issues we feel are important to the long-term health of our industry.

And finally, although RMA must remain actuarially sound, one thing we must continue to do is strive to make higher levels of crop insurance more affordable. This will not only help to preserve and strengthen the safety net on which producers rely, but is critical to the economic health of our region in bad years as well. Thank you.